

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

LANSING HOUSING COMMISSION

Financial Statements

June 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Management Discussion and Analysis	i
Independent Auditor's Opinion	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
Combining Balance Sheet	14
Combining Statement of Income and Expenses	15
Schedule of Expenditures of Federal Awards	16
Status of Prior Audit Findings	17
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Report on Compliance Applicable with Requirements to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	19
Schedule of Findings and Questioned Cost	21
Tenant Accounting Discrepancies- Low Rent Program	23
- Section 8 Housing Choice Vouchers	24

Management Discussion and Analysis

Fiscal Year Ending June 30, 2007

The Lansing Housing Commission's management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns. The management discussion and analysis should be read in conjunction with the auditor's opinion letter and the financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Commission's Executive Director or Financial Manager.

This Commission has completed the current phase of conversion to asset management and project based accounting as required by the Department of Housing and Urban Development before the October 15, 2007 compliance deadline in order to minimize any loss of operating subsidy. The Commission also expects to complete the final phase by June 30, 2008, as required.

Construction was completed on the Oliver Gardens project, which is Section 8 project based and consists of 30 one bedroom units. The development was certified for occupancy in early August 2007, and is expected to be fully occupied by December 2007. The Commission closed on the School for the Blind property October 13, 2006, and plans are underway for construction of new administrative offices for the Commission and additional affordable housing for the community.

Entity-Wide Statements

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement is presented in a format where assets, minus liabilities, equals "Net Assets", formerly known as equity. The Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). The Statement of Cash Flows is also included, which discloses net cash provided by, or used for operating activities, non-capital financing activities and from capital and related financing activities.

The combined financial statements show, in one place, all of the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method all revenues

**Lansing Housing Commission
Management Discussion and Analysis
Fiscal Year Ending June 30, 2007**

and expenses relating to the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Financial Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission consists exclusively of Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. This method of accounting is similar to accounting used by the private sector.

Entity-Wide Financial Highlights

The Commission was awarded the following Federal Assistance:

	<u>Year 2007</u>	<u>Year 2006</u>
Operating Subsidies	\$2,444,199	\$2,060,064
Capital Fund Programs	1,519,916	1,555,752
Section 8 Vouchers	7,695,881	8,585,755
Section 8 New Construction	448,208	459,264
Shelter Plus Care	210,187	195,510

Combined Balance Sheet (condensed)

	2007 (millions of dollars)	2006 (millions of dollars)
Current Assets	\$ 3.91	\$ 5.92
Non-Current Assets	<u>17.52</u>	<u>16.55</u>
	21.43	22.47
Current Liabilities	0.29	1.05
Non-Current Liabilities	<u>0.17</u>	<u>0.17</u>
	0.46	1.22
Net Assets	20.97	21.25

**Lansing Housing Commission
Management Discussion and Analysis
Fiscal Year Ending June 30, 2007**

Major Factors Affecting the Combined Balance Sheet

The decrease in Current Assets is due to expenditures paid by LHC for Oliver Gardens, LLC and the School for the Blind property that reimbursement is still due. The balance in the Construction in Progress account is about \$1,800,000 more than a year ago, which contributed to the increase in Non-Current Assets.

Capital Assets

At year end, the Lansing Housing Commission had almost \$17 million invested in capital assets as reflected in the following schedule.

	2007	2006
Land	\$ 1,470,528	\$ 1,470,528
Buildings	39,298,526	43,669,922
Furniture, Equipment-Dwellings	604,150	554,848
Furniture, Equipment-Administrative	1,138,507	1,085,784
Construction in Progress	1,962,835	117,145
Accumulated Depreciation	<u>(27,548,478)</u>	<u>(30,351,590)</u>
Total	\$ 16,926,068	\$ 16,546,637

This year major additions were:

Capital Improvements Projects	
South Washington Park – Exterior Renovations (completion October 2007)	792,699
Equipment Purchases	98,946

**Lansing Housing Commission
Management Discussion and Analysis
Fiscal Year Ending June 30, 2007**

Combined Statement of Income and Expenses (condensed)

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	2007 (millions of dollars)	2006 (millions of dollars)
Revenues		
Tenant Rental Revenue and Other	\$ 1.73	\$ 1.71
HUD Grants	12.32	12.86
Interest Income	.10	.14
Other Income	<u>.43</u>	<u>.11</u>
Total Revenue	14.58	14.82
Expenses		
Administrative	2.52	2.49
Tenant Services	.00	.005
Utilities	.98	.96
Ordinary Maintenance	2.21	2.23
Protective Services	.19	.008
General Expenses	.42	.42
Extra Ordinary Maintenance	.30	.028
Housing Assistance Payments	8.56	8.21
Depreciation	<u>2.06</u>	<u>2.00</u>
Total Expenses	17.24	16.35
Net Income (Loss)	<u>(2.66)</u>	<u>(1.53)</u>

Major Factors Affecting the Combined Statement of Revenue and Expenses (condensed)

Employee benefit expenses were 16% higher compared to last year. Most expenses showed moderate fluctuations either up or down. Utility expenses increased 27%, mainly due to the 48% increase in the cost of natural gas. Housing Assistance Payments were up about 9% due to more lease ups. Total expenses increased 9% compared to last year, while total revenue increased 1%.

**Lansing Housing Commission
Management Discussion and Analysis
Fiscal Year Ending June 30, 2007**

General Fund Budgetary Highlights-Public Housing

Variance	Budget	Actual	
Dwelling Rent	1,615,000	1,602,527	12,473
HUD Subsidy	2,254,989	2,444,199	(189,210)
Investment Income	35,000	61,306	(26,306)
Other Revenue	<u>615,769</u>	<u>529,999</u>	<u>85,770</u>
Total Operating Receipts	4,520,758	4,638,031	(117,273)
Operating Expenditures			
Administrative	867,140	894,492	(27,352)
Tenant Services	24,225	0	24,225
Utilities	950,000	980,823	(30,823)
Maintenance	1,616,999	1,800,079	(183,080)
Protective Services	20,000	18,918	(1,082)
General	1,275,500	1,330,829	(55,329)
Other	<u>22,000</u>	<u>29,604</u>	<u>(7,604)</u>
Total Operating Expenses	<u>4,775,864</u>	<u>5,054,745</u>	<u>(278,881)</u>
Operating Income (Loss)	<u>(255,106)</u>	<u>(416,714)</u>	<u>(161,608)</u>

Total Operating Receipts increased with a one-time payment from HUD from monies previously allocated but unpaid. Rent revenue declined about 2% more than the 2% decline budgeted. Administrative expenses were over budget primarily due to the Collection Fees & Court Costs account being \$19,000 over budget. Actual costs for this account were 25% higher than the prior year.

The cost of natural gas increased 12%. Maintenance contract costs increased due to more floor sanding. General expenses were affected by a 6% increase in property insurance and by more collection losses. Total Operating Expenses were greater than the amounts budgeted by \$261,608.

**Lansing Housing Commission
Management Discussion and Analysis
Fiscal Year Ending June 30, 2007**

Economic Factors

Over time economic factors affect changes in the Commission's net assets and are an indicator of whether it is financially improving or deteriorating. Readers need to consider other non-financial factors such as changes in family composition, local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. HUD mandated program administrative changes, the physical condition of the Commission's capital assets, inflationary pressure on utility rates and supplies also need to be considered to assess the overall financial health of the Commission.

Comments or Questions may be addressed to:

Lansing Housing Commission
% Chris Stuchell, Executive Director
310 Seymour
Lansing, Michigan 48933

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Lansing Housing Commission
310 Seymour
Lansing, Michigan 48933

Independent Auditor's Report

I have audited the financial statements of the Lansing Housing Commission Business Type Activities as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lansing Housing Commission as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2007, on my consideration of the Lansing Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Required Supplemental Information

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

November 28, 2007

LANSING HOUSING COMMISSION
Statement of Net Assets
June 30, 2007

ASSETS

C-3007

CURRENT ASSETS

Cash & Cash Equivalents	\$ 1,446,929	
Accounts Receivable (Net)	949,652	
Investments	1,189,320	
Prepaid Expenses & Inventory (Net)	<u>325,439</u>	
Total Current Assets		\$ 3,911,340

NON CURRENT ASSETS

Land	\$ 1,470,528	
Buildings	37,852,705	
Infrastructure	1,445,821	
Furniture, Equipment- Dwellings	604,150	
Furniture, Equipment- Administrative	1,138,507	
Construction in Progress	1,962,835	
Accumulated Depreciation	<u>(27,548,478)</u>	
Total Non Current Assets		16,926,068

OTHER ASSETS

Assets Held for Re-sale	<u>588,420</u>	
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TOTAL ASSETS \$ 21,425,828

LANSING HOUSING COMMISSION
Statement of Net Assets
June 30, 2007

LIABILITIES

C-3007

CURRENT LIABILITIES

Accrued Liabilities	\$ 73,797
Accounts Payable- Other Government	79,516
Compensated Absences	43,242
Tenants Security Deposit	<u>96,690</u>

<u>Total Current Liabilities</u>	\$ 293,245
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NONCURRENT LIABILITIES

Compensated Absences	<u>167,037</u>
<u>Total Liabilities</u>	\$ 460,282

Net Assets:

Investment in Fixed Assets net of Related Debt	\$ 16,926,068
Unrestricted Net Assets	<u>4,039,478</u>
<u>Total Net Assets</u>	<u>20,965,546</u>
<u>TOTAL LIABILITIES & NET ASSETS</u>	<u>\$ 21,425,828</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LANSING HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30, 2007

	<u>Business Type Activities</u>
<u>OPERATING REVENUE</u>	
Tenant Rental Revenue	\$ 1,602,527
Tenant Revenue-Other	135,685
HUD Grants	11,395,385
Interest Income	104,942
Other Income	<u>277,249</u>
<u>Total Operating Revenue</u>	\$ 13,515,788
<u>OPERATING EXPENSES</u>	
Administrative	\$ 2,520,858
Utility Expenses	980,823
Ordinary Maintenance	2,208,841
Protective Services	18,918
General Expenses	355,647
Depreciation Expense	2,059,250
Housing Assistance Payments	<u>8,561,905</u>
<u>Total Operating Expenses</u>	<u>16,706,242</u>
<u>Operating Income (Loss)</u>	\$ (3,190,454)
<u>NONOPERATING REVENUE (EXPENSES)</u>	
Extra Ordinary Maintenance	\$ (29,604)
Gain (Loss) on Sale of Assets	<u>151,091</u>
<u>Total NonOperating Revenue (Expenses)</u>	<u>121,487</u>
<u>Income (Loss) before Contributions</u>	\$ (3,068,967)
<u>CAPITAL CONTRIBUTIONS</u>	<u>923,006</u>
<u>Changes in Net Assets</u>	\$ (2,145,961)
Total Net Assets- Beginning	\$ 21,248,550
Restatement of Accumulated Depreciation- Fire at High-rise	<u>1,862,957</u> <u>23,111,507</u>
Total Net Assets- Ending	\$ <u>20,965,546</u>

The Accompanying Notes are an Integral part of the Financial Statements

LANSING HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended June 30, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 1,689,825
Payments to Suppliers	(12,275,367)
Payments to Employees	(1,934,271)
HUD Grants	12,318,391
Other Receipts (Payments)	<u>533,282</u>
Net Cash Provided (Used) by Operating Activities	\$ (1,122,910)

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets (net of prior period adjustment for high rise apartment)	\$ <u>(1,164,144)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,287,054)
Cash Balance- Beginning of Year	<u>3,733,983</u>
Cash Balance- End of Year	\$ <u>1,446,929</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (2,145,961)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	2,059,250
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(485,017)
Investments	(524,464)
Prepaid Expenses	106,281
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(115,158)
Accrued Liabilities	(23,756)
Accounts Payable-Other Governments	27,844
Accrued Compensated Absences	(14)
Security Deposits	(4,257)
Deferred Revenue	<u>(17,658)</u>
Net Cash Provided by Operating Activities	\$ <u>(1,122,910)</u>

The Accompanying Notes are an Integral part of the Financial Statements

LANSING HOUSING COMMISSION
Notes to Financial Statements
June 30, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Lansing Housing Commission, Lansing, Michigan, (Commission) was created by ordinance of the city of Lansing. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 58-2-12, 15	Low rent program	834	units
MI 33-V058-6, 15	Section 8 Vouchers	1540	units
MI 28-8023-1	New Construction	100	units
MI 33-V058	Shelter Plus	51	units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units are reported.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Inventory

Inventory is valued at average cost. The Commission uses a weighted average price of remaining inventory to value the remaining stock. Inventory consist of expendable supplies held for consumption. The cost of supplies is recorded as an expenditure at the time the inventory is consumed.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the combining balance sheets, however are eliminated on the combined statements.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Notes to Financial Statements- continued

Note 2: Cash and Investments

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 557,769
Investments- Cash Equivalents	888,660
Petty Cash	<u>500</u>
Financial Statement Total	\$ <u>1,446,929</u>

Investments:

Certificates of Deposit	\$ 410,443
Certificates of Deposit-Security Deposits	100,000
Savings Account	1,567,537
Less: Cash Equivalents, above	<u>(888,660)</u>
Financial Statement Total	\$ <u>1,189,320</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 557,769	\$	\$	\$ 557,769	\$ 557,769
Petty Cash	500			500	500
Cash Equivalents	<u>888,660</u>			<u>888,660</u>	<u>888,660</u>
Total Cash	\$ <u>1,446,929</u>	\$	\$	\$ <u>1,446,929</u>	\$ <u>1,446,929</u>
Investments:					
Money market	\$ 1,567,537	\$	\$	\$ 1,567,537	\$ 1,567,537
C/D's	510,443			510,443	510,443
Cash Equivalents above	<u>(888,660)</u>			<u>(888,660)</u>	<u>(888,660)</u>
Total Investments	\$ <u>1,189,320</u>	\$	\$	\$ <u>1,189,320</u>	\$ <u>1,189,320</u>

All cash and investments are protected by either FDIC, SPIC, or independent bank collateral guarantees.

Note 3: Accounts Receivable-net

Accounts Receivable Tenants consist of the following:

Accounts Receivable	\$ 106,006
Allowance for Doubtful Accounts	<u>(13,175)</u>

\$ 92,831

Accounts Receivable-other

Account Receivable HUD	\$ 190,298
Accounts Receivable-NEF Assignment Group	566,947
Accounts Receivable- CFP Advances	<u>99,576</u>

\$ 949,652

Note 4: Prepaid Expenses

Prepaid expenses consist primarily of unexpired insurance premiums and inventory. Inventory is valued using average cost. Inventory consists of expendable supplies held for consumption and expendable equipment stored pending issuance to projects as needed.

Prepaid Insurance	\$ 58,149
Inventory	270,690
Allowance for Obsolescence	<u>(3,400)</u>

\$ 325,439

Note 5: Assets held for Re-sale.

The Commission suffered a fire in a 100 unit high-rise in February 2000; the building had extensive damage and has been inoperative since the fire. The Commission left its options open until the past fiscal year; at that time the Commission decided to forgo repairs and settle with the insurance company. The Commission received the final insurance settlement check, \$ 64,282.02 on June 5, 2007; therefore, the carrying value has been adjusted per Governmental Accounting Standards Board, (GASB) pronouncement 42, and the remaining asset (building and land) is being held for re-sale.

Notes to Financial Statements- continued

Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 1,470,528	\$	\$	\$ 1,470,528
Buildings	42,224,101	490,966	4,862,362	37,852,705
Furniture & Equipment-Dwellings	554,848	49,302		604,150
Furniture & Equipment-Admin	1,085,784	52,723		1,138,507
Infrastructure	1,445,821			1,445,821
Construction in Progress	<u>117,145</u>	<u>1,845,690</u>		<u>1,962,835</u>
	\$46,898,227	\$2,438,681	\$4,862,362	\$44,474,546
Less Accumulated Depreciation	<u>30,351,590</u>	<u>2,059,250</u>	<u>4,862,362</u>	<u>27,548,478</u>
	<u>\$16,546,637</u>	<u>\$ 379,431</u>	<u>\$</u>	<u>\$16,926,068</u>

Note 6: Accrued Liabilities

Accrued liabilities consists of the following:

Accrued Wages & Benefits	\$ 2,935
FSS escrows	<u>70,862</u>
	<u>\$ 73,797</u>

Note 7: Pension Plan

During 1989, the Commission transferred its plan assets and accumulated benefits from the Employees' Retirement System Defined Benefit Plan administered by the City of Lansing to the Michigan Municipal Employees Retirement System (MERS), an agent for multiple-employer public employee retirement systems that acts as a common investment and administrative agent for municipalities within the state of Michigan.

FUNDING STATUS AND PROGRESS

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2006 actuarial valuation. The entry age normal actuarial method was used to determine the entries at disclosure.

Notes to financial statements- continued

GASB 25 INFORMATION
as of June 30, 2007

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 2,257,284
Terminated employees not yet receiving benefits	403,567
Current employees -	
Accumulated employee contributions including allocated investment income	23,396
Employer Financed	<u>4,076,385</u>
Total Actuarial Accrued Liability	\$ 6,760,632
Net Assets Available for Benefits at Actuarial Value	<u>6,638,634</u>
(Market Value is \$ 6,731,502)	
Unfunded (Over funded) Actuarial Accrued Liability	\$ 121,998

GASB 27 INFORMATION
as of December 31, 2006

Fiscal Year Beginning	July 1, 2008
Annual Required Contribution (ARC)	\$ 203,760*
Amortization Factor Used - Underfunded Liabilities (29 years)	0.054719

* Based on valuation payroll. For divisions that are open to new hires the actual required contribution will be based on current monthly payroll (during the fiscal year beginning July 1, 2008) times the computed employer contribution rate(s) shown in tables 15 and 16 of the annual report. The ARC shown here is the sum of the ARC's calculated separately for each division.

Note 8: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Notes to Financial Statements- continued

Note 9: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 67,472,397
General Liability	5,000,000
Errors & Omissions	1,000,000
Automobile	1,000,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

Note 10: Management Agreement & Development of Administrative Building.

The Commission formed the Lansing Housing Commission Non Profit Development Corporation, (LHCNPDC), a non stock, non profit corporation, 501(C)- the board is comprised of the same members as the Housing Commission. The Commission also formed the Oliver Garden, LLC, (LLC) which is comprised of the LHCNPDC (99%), and the Housing Commission (1%).

The LLC entered into a Limited Partnership; the Oliver Gardens Limited Dividend Housing Association Limited Partnership (Partnership). The Partnership has a general partner and a limited partner. The general partner is the LLC (.01 % interest) and a limited partner- NEF Assignment Corporation (99.99 % interest) a separate entity.

The original intent of the Partnership was to develop a 30 unit Section 8 project based development, using Low Income Housing Tax Credits (LIHTC), which the Commission will manage, and to develop an administrative facility.

HUD has approved the above entities and has issued a legal opinion stating no identity of interest exists between the above entities and further that the LLC may enter into a contract to develop the 30 unit project based development.

The Partnership will own the assets; the Commission will receive the management fee and .01% of the profit or loss from the operations. A management agreement was entered into as of June 30, 2006; the Section 8 project based development was incomplete at June 30, 2007 and no fees have been earned.

Notes to Financial Statements- continued

Public and Indian Housing (PIH) Notice 2007-15 (HA) defines relationships like the above; II A 1, (Formation of Instrumentalities and Affiliates) allowed the formation of an Affiliate which contained Low Income Housing Tax Credit (LIHTC) units. Section II A 3, further allows for multiple projects provided the first meets the requirements of Section III, and, Section VI A, addresses security interests in relationship to the development of administration buildings. The Commission entered into an agreement under these provisions to acquire property to develop an administrative building; as of June 30, 2007 the property has been acquired, but the development of the administration offices is incomplete.

Note 11 Subsequent Event- Termination of Annual Contributions

HUD notified the Commission that the Section 8 HAP contract for the Section 8 New Construction Program would be terminated, effective July 1, 2007. The Commission acted as the HAP administrator and received a management fee; the Commission had no part in the decision to transfer the contract, and no recourse in the decision.

Lansing Housing Commission

30-Jun-07

MI-058

Combining Balance Sheet		Low Rent 14.850	New Construc- tion Section 8	Shelter Plus Program	Section 8 Housing Choice Voucher Program	Capital Projects Funds 14.872	TOTAL
Line Item #							
	ASSETS:						
	CURRENT ASSETS:						
	Cash:						
111	Cash - unrestricted	982,523	121,715	10,660	235,341		1,350,239
112	Cash - restricted - modernization and development						-
113	Cash - other restricted						-
114	Cash - tenant security deposits	96,690					96,690
100	Total cash	1,079,213	121,715	10,660	235,341	-	1,446,929
	Accounts and notes receivables:						
121	Accounts receivable - PHA projects						-
122	Accounts receivable - HUD other projects	-		-	-	190,298	190,298
124	Accounts receivable - other government						-
125	Accounts receivable - miscellaneous	666,523	-				666,523
126	Accounts receivable- tenants - dwelling rents	106,006		-			106,006
126.1	Allowance for doubtful accounts - dwelling rents	(13,175)					(13,175)
128	Fraud recovery						-
128.1	Allowance for doubtful accounts - fraud						-
129	Accrued interest receivable		-				-
120	Total receivables, net of allowances for doubtful accounts	759,354	-	-	-	190,298	949,652
	Current investments						-
131	Investments - unrestricted	300,710	-	-	811,329		1,112,039
132	Investments - restricted			-	77,281		77,281
142	Prepaid expenses and other assets	58,149	-	-	-		58,149
143	Inventories	270,690		-	-		270,690
143.1	Allowance for obsolete inventories	(3,400)		-	-		(3,400)
144	Interprogram - due from	221,401	74,700	-	6,441		302,542
146	Amounts to be provided						-
150	TOTAL CURRENT ASSETS	2,686,117	196,415	10,660	1,130,392	190,298	4,213,882
	NONCURRENT ASSETS:						
	Fixed assets:						
161	Land	1,470,528	-	-	-		1,470,528
162	Buildings	37,852,705				-	37,852,705
163	Furniture, equipment & machinery - dwellings	604,150	-			-	604,150
164	Furniture, equipment & machinery - administration	1,102,215	-	-	36,292	-	1,138,507
165	Leasehold improvements	-				-	-
166	Infrastructure	-					-
167	Construction in Progress	-				1,962,835	1,962,835
168	Infrastructure	1,445,821					1,445,821
166	Accumulated depreciation	(27,527,283)	-	-	(21,195)	-	(27,548,478)
160	Total fixed assets, net of accumulated depreciation	14,948,136	-	-	15,097	1,962,835	16,926,068
171	Notes and mortgages receivable - non-current						-
172	Notes and mortgages receivable-non-current-past due						-
174	Other assets	588,420					588,420
175	Undistributed debits						-
176	Investment in joint ventures						-
180	TOTAL NONCURRENT ASSETS	15,536,556	-	-	15,097	1,962,835	17,514,488
190	TOTAL ASSETS	18,222,673	196,415	10,660	1,145,489	2,153,133	21,728,370

	LIABILITIES AND EQUITY:						
	LIABILITIES:						
	CURRENT LIABILITIES	-					
311	Bank overdraft	-					-
312	Accounts payable ≤ 90 days	-	-	-	-	-	-
313	Accounts payable > 90 days past due						-
321	Accrued wage/payroll taxes payable	2,935					2,935
322	Accrued compensated absences	31,192	1,697	-	10,353		43,242
324	Accrued contingency liability						-
325	Accrued interest payable						-
331	Accounts payable - HUD PHA programs		-	-			-
332	Accounts Payable - PHA Projects						
333	Accounts payable - other government	79,516	-	-			79,516
341	Tenant security deposits	96,690		-	-		96,690
342	Deferred revenues	-					-
343	Current portion of Long-Term debt - capital projects						-
344	Current portion of Long-Term debt - operating borrowings						-
345	Other current liabilities	-					-
346	Accrued liabilities - other	-		-	70,862		70,862
347	Inter-program - due to	-	11,877	6,441	93,926	190,298	302,542
310	TOTAL CURRENT LIABILITIES	210,333	13,574	6,441	175,141	190,298	595,787
	NONCURRENT LIABILITIES:						
351	Long-term debt, net of current- capital projects						-
352	Long-term debt, net of current- operating borrowings						-
353	Noncurrent liabilities- other	-					-
354	Accrued Compensated Absences-non current	126,335	-	-	40,702		167,037
350	TOTAL NONCURRENT LIABILITIES	126,335	-	-	40,702	-	167,037
300	TOTAL LIABILITIES	336,668	13,574	6,441	215,843	190,298	762,824
	EQUITY:						
501	Investment in general fixed assets						-
	Contributed Capital:						
502	Project notes (HUD)						-
503	Long-term debt - HUD guaranteed						-
504	Net HUD PHA contributions	-	-	-			-
505	Other HUD contributions	-					-
507	Other contributions	-					-
508	Total contributed capital	-	-	-	-	-	-
508.1	Investment in Fixed Assets net of related debt	14,948,136		-	15,097	1,962,835	16,926,068
	Reserved fund balance:						-
509	Reserved for operating activities						-
510	Reserved for capital activities						-
511	Total reserved fund balance	-	-	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-	-	-
512.1	Unrestricted Net Assets	2,937,869	182,841	4,219	914,549		4,039,478
513	TOTAL EQUITY	17,886,005	182,841	4,219	929,646	1,962,835	20,965,546
600	TOTAL LIABILITIES AND EQUITY	18,222,673	196,415	10,660	1,145,489	2,153,133	21,728,370

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Lansing Housing Commission

30-Jun-07

MI-058

Combining Balance Sheet		Low Rent 14.850	New Construc- tion Section 8	Shelter Plus Program	Section 8 Housing Choice Voucher Program	Capital Projects Funds 14.872	TOTAL
Line Item #							
	REVENUE:						
703	Net tenant rental revenue	1,602,527		-			1,602,527
704	Tenant revenue - other	135,685					135,685
705	Total tenant revenue	1,738,212	-	-	-	-	1,738,212
706	HUD PHA grants	2,444,199	448,208	210,187	7,695,881	1,519,916	12,318,391
708	Other government grants						-
711	Investment income - unrestricted	61,306	-	-	43,636		104,942
712	Mortgage interest income	-					-
714	Fraud recovery		-	-	25,620		25,620
715	Other revenue	243,223	-	-	8,406		251,629
716	Gain or loss on the sale of fixed assets	151,091			-		151,091
720	Investment income - restricted						-
700	TOTAL REVENUE	4,638,031	448,208	210,187	7,773,543	1,519,916	14,589,885
	EXPENSES:						
	Administrative						
911	Administrative salaries	618,874	6,255	13,235	441,295		1,079,659
912	Auditing fees	6,250	-	-	2,500		8,750
913	Outside management fees			-	-		-
914	Compensated absences	-	-	-	-		-
915	Employee benefit contributions- administrative	375,618	3,176	2,336	259,235		640,365
916	Other operating- administrative	568,932	4,597	-	218,555	-	792,084
	Tenant services						
921	Tenant services - salaries	-					-
922	Relocation costs						-
923	Employee benefit contributions- tenant services	-					-
924	Tenant services - other	-		-		-	-
	Utilities						
931	Water	345,959					345,959
932	Electricity	162,429					162,429
933	Gas	438,336					438,336
934	Fuel	-					-
935	Labor						-
937	Employee benefit contributions- utilities						-
938	Other utilities expense	34,099					34,099
	Ordinary maintenance & operation						
941	Ordinary maintenance and operations - labor	854,612					854,612
942	Ordinary maintenance and operations - materials & other	335,824					335,824
943	Ordinary maintenance and operations - contract costs	489,978			8,762		498,740
945	Employee benefit contributions- ordinary maintenance	519,665					519,665
	Protective services						
951	Protective services - labor						-

LANSING HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3007 Operating Subsidies	\$ <u>2,444,199</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	
C-3007 Capital Projects Funds	\$ <u>1,519,916</u>
* <u>CFDA 14.855 Housing Choice Vouchers</u>	
C-3118V Section 8 Housing Choice Vouchers	\$ <u>7,695,881</u>
* <u>CFDA 14.182 N/C S/R Section 8</u>	
C-3015 Section 8 New Construction	\$ <u>448,208</u>
<u>CFDA 14.238 Supportive Service</u>	
C-3007 Shelter Plus Care	\$ <u>210,187</u>
	\$ <u>12,318,391</u>
*Connotes Major Program Category	

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

LANSING HOUSING COMMISSION
Status of Prior Audit Findings
June 30, 2007

The prior audit of the Lansing Housing Commission for the period ended June 30, 2006, did not contain any audit findings.

LANSING HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
June 30, 2007

I have audited the financial statements of the Lansing Housing Commission of Lansing, Michigan, as of and for the year ended June 30, 2007, and have issued my report thereon dated November 28, 2007. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, see findings section in this report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weakness.

This report is intended for the information of management, the Board of Commissioners, and federal and state funding agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
November 28, 2007

LANSING HOUSING COMMISSION
Report on Compliance with Requirements
Applicable to Each Major Program
and on Internal Control over Compliance in
Accordance with OMB Circular A-133
June 30, 2007

Compliance

I have audited the compliance of the Lansing Housing Commission of Lansing, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, except for the following, Lansing Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Low Rent Public Housing:		
Tenant Accounting Discrepancies	07-1	Eligibility
Housing Choice Vouchers:		
Tenant Accounting Discrepancies	07-2	Eligibility

Internal Control Over Compliance in Accordance with OMB Circular A-133

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weakness.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weakness.

This report is intended for the information of management, Board of Commissioners, and federal and state funding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
November 28, 2007

LANSING HOUSING COMMISSION
Schedule of Findings and Questioned Cost
June 30, 2007

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Capital Projects Fund	X	
Housing Choice Voucher Program	X	
N/C S/R Section 8	X	
Shelter Plus Care		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted _____ Yes X No

Non Compliance material to financial statements noted _____ Yes X No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted _____ Yes X No

Reportable condition(s) noted X Yes _____ No

Non Compliance material to financial statements noted _____ Yes X No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	Yes	None	07-1
Capital Projects Fund	Yes	None	N/A
Housing Choice Voucher Program	Yes	None	07-2
N/C S/R Section 8	Yes	None	N/A
Shelter Plus Care	No	None	N/A

LANSING HOUSING COMMISSION
Schedule of Findings, Recommendations and Replies
June 30, 2007

The following findings of the Royal Oak Twp Housing Commission, for the year ended June 30, 2007, were discussed with the Executive Director, Mr. Chris Stuchell, in an exit interview conducted October 31, 2007:

Finding 1: Tenant Accounting Discrepancies- Low Rent Program.

21 files were tested, the following discrepancies were noted:

- Staff not trained in Uniform Physical Conditions Standards (UPCS).
- Three files lacked proper income verification.

Recommendation

My test indicate all units were inspected, however, the staff has not been properly trained in UPCS protocols. Three files lacked proper income verification, however, the manager in charge of those files is no longer with the Commission.

I recommend the staff obtain proper training in HUD required processes; the Commission needs to implement a process to insure all required documentation is contained in the tenant files.

Reply

As recommended, appropriate staff will receive UPCS Protocol training; however, please note that staff have been using the UPCS format.

With respect to required resident documentation, the Commission will tighten those processes that have been in place.

Finding 2: Tenant Accounting Discrepancies- Housing Choice Vouchers.

26 files were tested, the following discrepancies were noted:

- 2 files lacked proper income verification
- 3 files used the incorrect utility allowances

Recommendation

The Commission handles over 1,500 section 8 Housing Choice Vouchers, the above error rate represents approximately 10% interpolated to the entire population.

HUD requires all files contain proper income documentation using tools like the up front income verification and third party confirmation; utility allowances are granted to the tenant based on the amount which is paid by the tenant- incorrect calculations result in the tenant under/over paying their share of the rent.

I recommend the Commission implement processes to insure all income is properly verified and documented in the files and calculate all utility allowances in accordance with the Commission's/HUD's guidelines.

Reply

With respect to required income verifications, rent calculation and utility allowances, the Commission will tighten processes that have been in place.